

## 2.1 UPDATE AND ANALYZE RELEVANT TRANSPORTATION FUNDING DATA: PRELIMINARY OUTLINE

### Motor Vehicle Fuel Tax

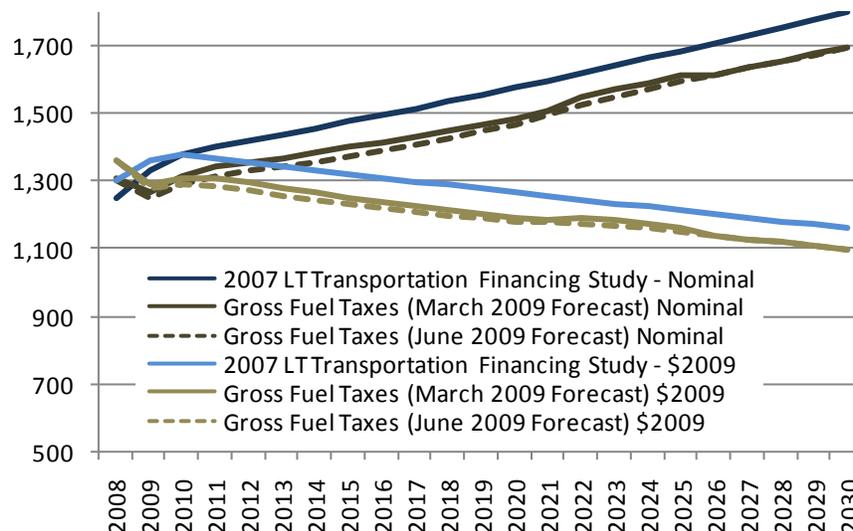
The following indicators and policy initiatives (see 1.2 for a more complete discussion) all indicate decreasing trends in consumption of gasoline and diesel fuels per capita:

- Rising oil prices
- Rising fuel economy
- Increasing use of alternative fuels
- Increasing market penetration by Hybrid Vehicles
- WA 2009 Legislature 2SHB 1481 (encouraging transition to electric vehicles and biofuels)

As the motor vehicle fuel tax (including special fuel taxes) represents the State's largest source of revenues for transportation, these trends all put that revenue base at risk. The March 2009 Transportation Revenue Forecast Council projections assume moderate and gradual changes in consumption trends based on fuel prices and increasing fuel efficiency of the fleet but have not accounted for any potential major changes in the fleet.

Even so, recent projections show estimated motor fuel taxes decreasing relative to assumptions to assumed levels just a couple of years ago:

**Projected Motor Fuel Tax Revenues – Nominal and Constant Dollars**  
(\$ millions)



This change represents a decrease in revenues of \$1.7B over the 2010-2030 period relative to assumptions made in the 2007 Long Term Transportation Financing Study (\$1.4B in constant dollars).

## Other Washington State Existing Revenue Sources

	09-11		16 YR Plan	
	Biennium			
	\$ millions		\$ millions	
Gross Motor Vehicle Fuel Tax	2,657.4		23,255.9	
Refunds & Transfers	-129.2		-1,200.2	
Distributions to Local Jurisdictions	-503.0		-4,388.3	
<i>Net Motor Vehicle Fuel Tax</i>	<i>2,025.2</i>	<i>31%</i>	<i>17,667.5</i>	<i>49%</i>
<i>Bond Sales</i>	<i>2,308.3</i>	<i>36%</i>	<i>6,512.6</i>	<i>18%</i>
<i>Bond Payments</i>	<i>-765.0</i>	<i>-12%</i>	<i>-11,138.9</i>	<i>-31%</i>
Licenses, Permits & Fees	929.0		8,347.7	
Capron Distribution to Local Jurisdictions	-4.3		-38.9	
<i>Net Licenses, Permits &amp; Fees</i>	<i>924.7</i>	<i>14%</i>	<i>8,308.8</i>	<i>23%</i>
<i>Federal Funds</i>	<i>1,097.3</i>	<i>17%</i>	<i>5,673.9</i>	<i>16%</i>
<i>Ferry Fares</i>	<i>313.0</i>	<i>5%</i>	<i>3,446.7</i>	<i>10%</i>
Tolls - Tacoma Narrows Bridge	115.6		1,491.9	
Tolls - SR 167 HOT Lanes	1.5		48.6	
<i>Total Tolls</i>	<i>117.1</i>	<i>2%</i>	<i>1,540.5</i>	<i>4%</i>
Vehicle Sales Tax	64.8		717.2	
Rental Vehicle Sales Tax	42.2		519.5	
<i>Total Vehicle Sales Tax</i>	<i>107.0</i>	<i>2%</i>	<i>1,236.7</i>	<i>3%</i>
<i>Miscellaneous</i>	<i>366.7</i>	<i>6%</i>	<i>2,470.0</i>	<i>7%</i>
<b>Total</b>	<b>6,494.4</b>		<b>35,717.6</b>	

Notable changes in this picture versus the 2007-2009 biennium include:

- Decrease in Motor Vehicle Fuel Tax revenues (\$219M or 8% decrease from prior biennium)
- Substantial increase to federal funds assumptions (\$680M or 80% increase from prior biennium)
- Decrease in Vehicle Sales Tax (\$14M or 18% decrease from prior biennium)

## Recommended Revenue Sources

### Index State Motor Fuel Taxes

The 2007 Study recommended indexing the motor fuel tax to inflation in order to maintain the purchasing power of fuel tax revenues. Based on March 2009 fuel consumption and price forecasts, and assuming no additional decrease in consumption due to a slightly higher nominal price of fuel, the following estimates provide a comparison:

	2007 Study	March 2009 Forecasts
<b>Incremental Revenue Generated (2010-2030)</b>	\$9.8B	\$8.5B
<b>Tax Rate 2030</b>	\$0.592	\$0.58

*Note: the 2007 Study assumes implementation starting in 2010 (Calculation based on March 2009 Forecast assumes 2011).*

### Sales Tax on Fuel

The 2007 Study recommended a sales tax on fuel, acknowledging that yield would be volatile

	2007 Study	March 2009 Forecasts
<b>Incremental Revenue Generated (2010-2030) with 6.5% Sales Tax on Fuel</b>	\$16.9B	\$16.5B
<b>Cents per Gallon Tax in 2030</b>	\$0.25	\$0.23

The smaller fluctuation in these numbers is the result of decreasing fuel consumption projections being offset by increasing fuel price projections during the first half of the forecast period.

### Tolling

The 2007 Study sites the following specific examples of where tolling might be enacted and estimates that up to \$26B could be earned over a 30-year period.

- SR 704 Cross Base Highway
- Snoqualmie Pass Improvements
- SR 520 and I-90 Bridge Tolling
- SR 167 and I-405 HOT Lanes
- I-405 North HOT Lanes
- I-5 Tolling in Lewis County
- I-5 and Alaskan Way Viaduct Tolling in Seattle
- Statewide Truck Tolling

In 2008, the Transportation Commission completed an update to their 2006 Tolling Study that identified a number of additional tolling candidates. The 2008 Legislature established tolling policy guidelines, enacted a toll on the Tacoma Narrows Bridge and HOT Lane on SR 167, and directed WSDOT to conduct studies of five potential applications (see 1.1 for more detail).

Without further information on the tolling sites and rates, it is difficult to project potential revenue impacts. Given the ongoing work on current potential tolling projects, we will incorporate estimates of revenue, where possible, for future analyses.

### **Expand Local Sources (Local Option Taxes)**

Section 1.5 includes more detail on local option tax mechanisms and restrictions.

The 2007 Study assumed annual growth in retail sales of 2.4% through 2030 and therefore estimated that \$38.8B in revenues would be generated. It suggested that by increasing enactment of local option taxes by 50% another \$19.4B could be generated.

### **Container Charges**

The 2007 Study recommended variable container charges based on peak period pricing to reduce truck related congestion and generate revenues (potentially up to \$8B 2010-2030). These revenue projections are uncertain given the potential for diversion of container traffic to other ports.

### **Taxes and Exemptions based on Vehicle Characteristics**

- 2009 Legislature passes ESSB 6170, repealing the retail sales and use tax exemption for qualifying hybrid vehicles, effective August 1, 2009 (they remain exempt from the Motor Vehicle Sales/Use Tax of 0.3% through January 1, 2011)
- Qualifying clean alternative fuel vehicles are exempt from both the retail sales and use tax (6.5%) and the motor vehicle sales and use tax (0.3%) through January 1, 2011

### **VMT Based Funding Alternatives**

The 2007 Study recommended moving to a funding system that charges drivers for the marginal cost of where, when, and how much they drive. Specifically, it recommended a tax based on vehicle miles travelled (VMT) in lieu of the Motor Vehicle Fuel Tax. The revenue calculation assumed a flat tax rate per mile (starting at \$0.0215 per mile), which was chosen to be revenue neutral with the projected gas tax revenues.